STOCKS
DSEX ▲ 0.02% 4,937.83 | CSCX ▼ 0.15% 9,122.93
COMMODITIES
Gold ▲ $1,503.50 (per ounce) | Oil ▼ $57.69 (per barrel)
ASIAN MARKETS
MUMBAI ▼ 0.52% 38,106.87 | TOKYO ▼ 2.01% 21,341.74 | SINGAPORE ▼ 0.50% 3,087.97 | SHANGHAI Closed
CURRENCIES
STANDARD CHARTERED BANK

	$USD	€EUR	£GBP	¥JPY
BUY TK	83.70	90.68	102.06	0.76
SELL TK	84.70	94.48	105.86	0.80

Star BUSINESS
DHAKA FRIDAY OCTOBER 4, 2019, *ASHWIN 19, 1426 BS* ● starbusiness@thedailystar.net

Sanofi says no plan to exit, employees state otherwise

Refayet Ullah Mirdha

Sanofi has sent out a letter to medical professionals reassuring them that the French pharma giant was not leaving Bangladesh -- a move that its 1,000 employees say is nothing more than an eyewash.

"Despite some speculative comments made in the media recently, it is not our intention to shut down in Bangladesh," said the letter signed by Ramaprasad Bhat, country chairman and general manager of Sanofi Bangladesh, and Muin Uddin Mazumder, managing director.

The Daily Star has obtained a copy of the letter.

"Across countries where Sanofi operates, we regularly assess the best ways in which to serve our customers and are currently evaluating different scenarios in Bangladesh," according to the letter that was sent out to employees on Wednesday.

The letter went on to cite the launch of Toujeo (insulin glargine 300U/ml), Sanofi's original product for diabetes management, last month as proof of the company's commitment to Bangladesh.

"Sanofi always works closely and transparently with its stakeholders when any significant decisions are made. For all of us at Sanofi Bangladesh, it is 'business as usual'," the letter added.

But, a group of employees told The Daily Star that the letter conceals the facts on the ground.

"Sanofi is definitely leaving Bangladesh, and it may take six months or even less than that," said an official asking not to be named for fear of reprisal.

Last month, Mazumder, Bhat and Charles Billard, chief financial officer of Sanofi India and South Asia, met with the Bangladesh Chemical Industries Corporation (BCIC), which holds 45.36 percent stakes of Sanofi Bangladesh, to inform the French pharma giant's intent to sell its stakes for strategic reasons.

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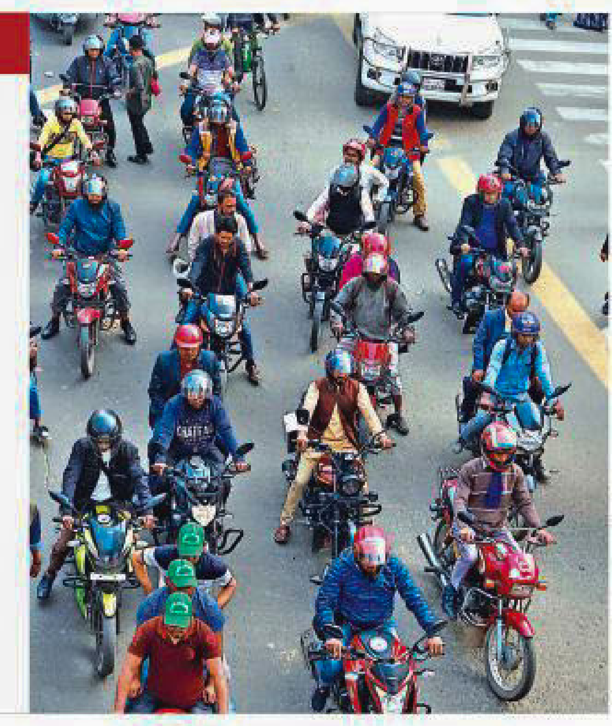
96pc bikes made locally

Industry people say high demand, tax cuts boost manufacturing, assembly

Jagaran Chakma

AT A GLANCE

- Bangladesh's 96pc motorcycles are now locally manufactured or assembled
- 30pc of the motorbike components are manufactured in Bangladesh
- Major brands: Honda, Suzuki, Yamaha, Bajaj, TVS, Hero and Runner
- Per unit price fell by Tk 25,000 in 3yrs
- 1,600 bikes are sold a day now, up from 900 3yrs ago
- Market size Tk 5,000cr and sector's average growth 20pc



Just two years ago, Bangladesh was dependent on imports to meet 95 percent of its demand for motorbikes. But the situation has completely reversed: Today, around 96 percent of the two-wheelers plying on the roads are either locally manufactured or assembled, industry people said.

Seven firms – Japanese brands Honda, Suzuki, Yamaha, India's Bajaj, TVS and Hero, and Runner Automobiles of Bangladesh – have made the country almost self-sufficient in motorbike manufacturing or assembly in the fast growing market.

Bangladesh's journey from a motorbike importer to a local assembler and manufacturer hasn't only saved valuable foreign currencies needed to meet import bills. It also created thousands of jobs.

Besides, the price of a bike has reduced by Tk 15,000 to Tk 25,000 per unit, according to Biplob Kumar Roy, chief executive officer of TVS Auto Bangladesh Ltd (TVS ABL).

The turnaround came in 2016-17 when the duty on import of completely knocked down (CKD) units of the two-wheelers was slashed by 25 percentage points to 20 percent to encourage local assembly and subsequent manufacturing.

The emergence of ride-sharing has given further impetus to the sector.

Operators now predict that the market would grow many folds in the next two-three years because of rising incomes, steady growth of economy and favourable policy and tariff structure.

Around 1,600 units of motorbikes are sold every day in the country, nearly doubling from 900 units in 2016, according to market players. Last year, about 480,000 bikes were sold, up from 387,000 units in 2017 and 270,000 units in 2016.

Assuming the price of a motorbike is Tk 1 lakh on an average, the total sales figure would be around Tk 5,000 crore a year, almost equivalent to the market size of four-wheelers.

Runner Automobiles showed the courage to set up the country's first automobile manufacturing plant in 2007 at Bhaluka in Mymensingh. The bike manufacturing began in 2010.

Hafizur Rahman Khan, chairman of Runner Automobiles and also the president of the Bangladesh Motorcycle Manufacturers and Exporters Association, said the plant is manufacturing bikes in 14 models.

Runner Automobiles makes almost all components needed to produce a bike except for some basic parts of the engine, he said, emphasising on developing backward linkage, which is vital to expand capacity.

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Exports to India remain dismal

Refayet Ullah Mirdha

Despite sharing a long border, Bangladesh is still a very tiny source for merchandise for India due to a lack of diversification of products and non-tariff barriers.

India's annual merchandise import amounts to $500 billion, in which Bangladesh's share is only 0.2 percent, or a little above $1 billion, even though duty-free facilities have existed since 2011 for all local products save for 25 alcoholic and beverage items.

In fiscal 2018-19, Bangladesh's merchandise shipments to India were $1.24 billion, crossing the $1 billion-mark for the first time, according to data from the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI).

Garment items dominate Bangladesh's exports to India as its demand among the growing middle-income customers is high. Bangladesh also exports home textile, processed food, cement, furniture, leather and leather goods, but the volume is very small.

Country-wise, India's topmost import destination is China, constituting nearly 14 percent of its imports. India imports machinery, industrial raw materials, textile fabrics and food items from China.

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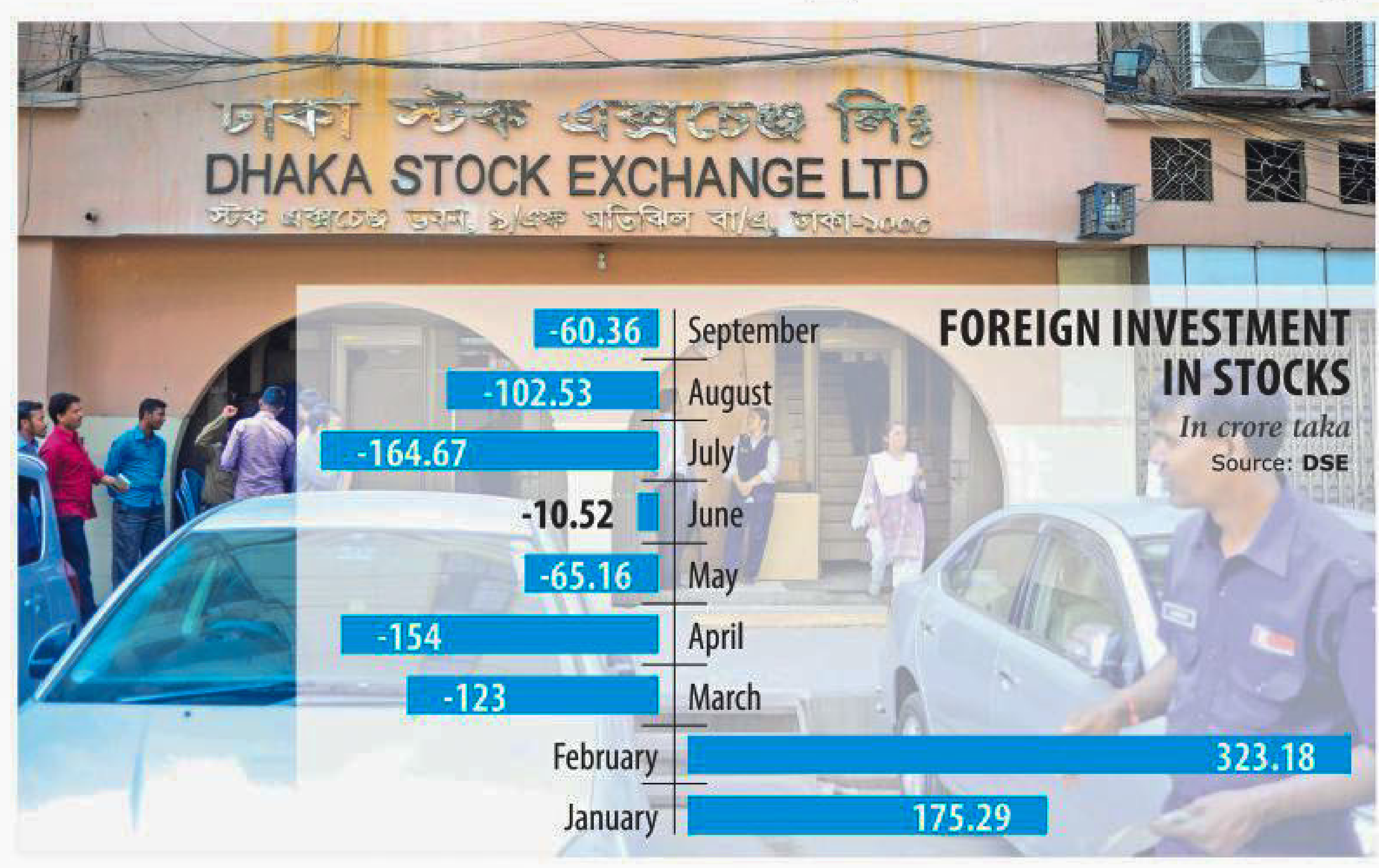
Foreign fund in DSE keeps falling

Star Business Report



The net foreign investment on the Dhaka bourse has kept falling for the seventh straight month because of eroding investor confidence and the rising fear of depreciation of the local currency.

Their net investment hit Tk 60.36 crore in the negative in September, when foreigners bought shares worth Tk 257.78 crore and sold securities amounting to Tk 318.14 crore, according to data of the Dhaka Stock Exchange (DSE).

It was Tk 102.53 crore in the negative in August.

A stock broker, who deals with a large number of foreign portfolio accounts, said foreign investors are suffering from confidence crisis, largely because of the government's tough stance against Grameenphone.

The foreign investors were upset with the government's declaration of Grameenphone—one of their prime choices—as a significant market player in February, which is expected to the affect the telecom operator's earnings.

Following the move, the net foreign investment plunged to Tk 123 crore in the negative in March, reversing from Tk 323 crore in the positive a month ago. The portfolio investment has been falling since then.

"The number of well-performing stocks in the market is too low to make huge investment. Moreover, the government takes decisions whimsically about a company any time. So, it is risky to park huge level of investment in the country," the stock broker quoted a foreign investor as saying.

The High Court has, however, stayed the move of Bangladesh Telecommunication Regulatory Commission on GP, but foreign investors are not still upbeat.

Another stock broker said the government lacks policy consistency on tax measures that affect listed companies or takes initiatives that may hamper earnings of companies.

British American Tobacco Bangladesh (BATBC) is one such example.

Md Azizur Rahman, company secretary of BATBC, told The Daily Star last month that the company's earnings fell due to a slump in sales in the low-segment tobacco products, which saw an increase in tax.

The company's earnings per share plunged 43 percent year-on-year to Tk 9.73 in the April-June quarter of 2019.

Foreign investors are also fearing that the local currency may depreciate to a large extent in future as the current account balance deficit and trade deficit continue to pose risks to macroeconomic stability, according to market insiders.

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Market's stability is main focus: BSEC

Star Business Report

The Bangladesh Securities and Exchange Commission (BSEC) has been emphasising market stability because it otherwise leads to losses for general investors, said Khairul Hossain, chairman of the stock market regulator.

For the market to remain stable, adequate corporate disclosure should be available for all and the information should be authentic while investors should also have the knowledge to analyse the information, he said.

"Insider trading should also be reined in and the BSEC is careful about curbing insider trading," added Hossain.

His comments came in a symposium on "Investor Education and Protection" organised by the Central Depository Bangladesh Ltd (CDBL) at Pan Pacific Sonargaon in Dhaka on Wednesday night.

Addressing as chief guest, Hossain said investors would have to acquire knowledge before investing in stocks because it was necessary to ensure the safety of their investment.

Hasan Imam, chief executive officer (CEO) and managing director of RACE Asset Management, said Bangladesh's capital market was retail investor-driven, which was the opposite of developed markets in the world.

Those markets are institutional investor-driven, for which those behave smartly, he said, adding that a developed capital market recovers very fast after a fall.

"But our stock market remains sluggish even after a few years," he said.

Responding to a question, Md Moniruzzaman, managing director of IDLC Investments, said making investment by taking margin loans was not profitable in Bangladesh, rather those had adverse impacts on market stability.

This is because investors want quick profits with margin loans, he said, adding, "Our stock market growth is not over 15 percent, so investors ultimately lose money through margin loans."

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COLLECTED

Sheikh Kabir Hossain, chairman of the CDBL, speaks at a symposium on "Investor Education and Protection" at Pan Pacific Sonargaon in Dhaka on Wednesday. Khairul Hossain, chairman of the BSEC, was present.

Source tax on export to be slashed

Sohel Parvez

The National Board of Revenue is likely to reduce source tax on proceeds from all export items, including apparels, to 0.25 percent to help increase competitiveness of local products in international markets, said a senior official yesterday.

"We are considering to cut the tax at source so that entrepreneurs can implement the new wages for garment workers," said the official.

> *Tax cuts to help implement new wages for workers, NBR official says*

The move followed demands from garments and knitwear manufacturers and exporters after the withholding tax on export earnings went up to 1 percent on the first day of July because of expiry of reduced source tax benefit on June 30 this year.

The tax authority reduced advance or source tax on export earnings of readymade garments twice last fiscal year -- from 1 percent to 0.60 percent to 0.25 percent-- in the face of demands from apparel markers.

The NBR has not extended the reduced withholding tax privilege in its bid to increase collection from exporters to attain higher tax targets.

Apart from garments, jute goods were enjoying 0.60 percent withholding tax on export proceeds since July 1, 2016. The reduced rate ended on June 30 this year.

Jute millers earlier urged the government to withdraw the source tax on export proceeds to help the sector withstand the fallout of anti-dumping duty slapped by India in 2017 and falling demand in other markets abroad.

The official said the source tax on export proceeds from jute goods is also likely to be reduced to 0.25 percent for the current fiscal year.

"We expect to issue a notification in this regard soon," he said.

Latest data on the collection of tax at source on export earnings are not available. The tax authority got Tk 2,136 crore in fiscal 2016-17 from the source, up 17 percent from Tk 1,811 crore a year ago, according to an NBR annual report.

The tax cut will cause a loss of quite a good amount of revenue, said the official.